

**The Energy and Technology Committee**

**February 27, 2007**

**Raised Bill No. 7251: AAC Utility Audits**

**Testimony of**

**The Office of Consumer Counsel**

**Mary J. Healey, Consumer Counsel**

The Office of Consumer Counsel (OCC) has carefully reviewed and SUPPORTS **Raised Bill 7251: AAC Utility Audits.**

The bill effectively levels the playing field among the OCC, the Department of Public Utility Control (DPUC) and the utility company in regard to management audits. It also promotes prudent use of ratepayer funds.

This bill would put the utility consumers' representative, the OCC, on a par with utility companies and the DPUC with regard to participation in the utility audit process and receipt of audit information.

The bill would also ensure the timeliness of audit information by imposing a one-year deadline from audit initiation to final report.

Currently, although utility consumers pay for the audit, the OCC is not included in the auditor selection process; remarkably, only the utility that is the focus of the audit and the DPUC participate. This bill makes the OCC a participant in the selection process and helps to mitigate any potential conflict of interest in the selection of the audit company. Presently, the bill would also limit the participation of the affected company in the auditor selection process to the avoidance of conflicts of interest. Assuming that the other regulatory safeguards in this bill are in place, including consultation with OCC as to selection of the auditing firm, this provision could be adjusted to allow greater participation by the affected company in the selection of the auditor.

The bill also provides that draft copies of the audit are to be released to the DPUC, the OCC and the audited utility company. Draft versions of audits are currently made available only to the DPUC and the utility company. This has created problems in the past with draft versions of the audit report becoming the sole version of the audit report, i.e., with audits paid for ratepayers being prepared "for the drawer" and not for public scrutiny. This needs to change, as

time-sensitive information in draft versions may be important to the customers represented by OCC. Under current procedures, the OCC would remain unaware of that information.

Finally, the bill promotes prudent use of ratepayer funds by adding a provision that in cases where the audit uncovers fraud or imprudent management, company shareholders, rather than ratepayers, bear the costs.